

**PAID-UP
OIL & GAS LEASE**

Lease No. _____

This Lease, made this 20th day of November, 2008, by and between Glenn M. Kobler, whose address is 8887 Larkin Road Hubbardville, NY 13355, hereinafter collectively called "Lessor", and New York Shale Gas, LLC, whose address is 301 Commerce Street, Suite 1380, Fort Worth, Texas 76102, hereinafter called "Lessee".

WITNESSETH, that for and in consideration of One Dollar (\$ 1.00) and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and of the mutual covenants and agreements hereinafter set forth, the Lessor and Lessee agree as follows:

LEASING CLAUSE. Lessor hereby leases exclusively to Lessee all the oil and gas including, but not limited to coal seam gas, coalbed methane gas, coalbed gas, methane gas, gob gas, occluded methane/natural gas and all associated natural gas and other hydrocarbons and non-hydrocarbons contained in, associated with, emitting from, or produced/originating within any formation, gob area, mined-out area, coal seam, and all communicating zones, and their liquid or gaseous constituents, whether hydrocarbon or non-hydrocarbon, underlying the land herein leased, together with such exclusive rights as may be necessary or convenient for Lessee, at its election, to explore for, develop, produce, measure, and market production from the Leasehold, and from adjoining lands, using methods and techniques which are not restricted to current technology, including the right to conduct geophysical and other exploratory tests; to drill, maintain, operate, cease to operate, plug, abandon, and remove wells; to use or install roads, electric power and telephone facilities, and to construct pipelines with appurtenant facilities, including data acquisition, compression and collection facilities for use in the production and transportation of products from the Leasehold or from neighboring lands across the Leasehold, to use oil, gas, and non-domestic water sources, free of cost, to store gas of any kind underground, regardless of the source thereof, including the injecting of gas therein and removing the same therefrom; to protect stored gas; to operate, maintain, repair, and remove material and equipment.

DESCRIPTION. The Leasehold is located in the Town of Brookfield, in the County of Madison, the State of New York, and described as follows:

Tax Map No **186-2-2.2 + 186-2-2.5**

Lands are bounded formerly or currently as follows:

On the North by: 171.-2-38.3 + 171.-2-38.5 + 171.-2-38 + 171.-2-34.11 + 171.-2-40 + 171.-2-39	171.-2-42 + 171.-2-38.1
On the East by: 186.-2-3.1 + 186.-2-3.2 + 171.-2-39	186.-2-2.4
On the South by: Larkin Road	Larkin Road
On the West by: 186.-2-2.4 + 171.-2-38.1	186.-2-2.3 + 186.-2-1

including lands acquired in that certain Deed by and between Wayne W. Kobler, et al, as Grantor and Glenn M. Kobler, as Grantee, dated January 1, 2007, recorded in Book 1433, Page 205, and described for the purposes of this agreement as containing a total of 314.85 Leasehold acres, whether actually more or less, and including contiguous lands owned by Lessor. This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor, by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by Lessee for a more complete or accurate description of said land.

LEASE TERM. This Lease shall remain in force for a primary term of five (5) years from 12:00 A.M. November 20th, 2008 (effective date) to 11:59 P.M. November 20th, 2013 (last day of primary term) and shall continue beyond the primary term as to the entirety of the Leasehold if any of the following is satisfied:

- (i) operations are conducted on the Leasehold or lands pooled/unitized therewith in search of oil, gas, or their constituents, or
- (ii) a well deemed by the Lessee to be capable of production is located on the Leasehold or lands pooled/unitized therewith, or
- (iii) oil or gas, or their constituents, are produced from the Leasehold or lands pooled/unitized therewith, or
- (iv) the Leasehold or lands pooled/unitized therewith is used for the underground storage of gas, or for the protection of stored gas, or
- (v) prescribed payments are made;

If Lessee's operations are delayed, postponed or interrupted as a result of any coal, stone or other mining or mining related operation under any existing and effective lease, permit or authorization covering such operations on the leased premises or on other lands affecting the leased premises, such delay will automatically extend the primary or secondary term of this oil and gas lease without additional compensation or performance by Lessee for a period of time equal to any such delay, postponement or interruption.

If there is any dispute concerning the extension of this Lease beyond the primary term by reason of any of the alternative mechanisms specified herein, the payment to the Lessor of the prescribed payments provided below shall be conclusive evidence that the Lease has been extended beyond the primary term.

EXTENSION OF PRIMARY TERM. Lessee has the option to extend the primary term of this Lease for one additional term of five (5) years from the expiration of the primary term of this Lease; said extension to be under the same terms and conditions as contained in this Lease. Lessee may exercise this option to extend this Lease if on or before the expiration date of the primary term of this Lease, Lessee pays or tenders to the Lessor or to the Lessor's credit an amount equal to the initial consideration given for the execution hereof. Exercise of this option is at Lessee's sole discretion and may be invoked by Lessee where no other alternative of the Lease Term clause extends this Lease beyond the primary term.

NO AUTOMATIC TERMINATION OR FORFEITURE.

(A) **CONSTRUCTION OF LEASE:** The language of this Lease (including, but not limited to, the Lease Term and Extension of Term clauses) shall never be read as language of special limitation. This Lease shall be construed against termination, forfeiture, cancellation or expiration and in favor of giving effect to the continuation of this Lease where the circumstances exist to maintain this Lease in effect under any of the alternative mechanisms set forth above. In connection therewith, (i) a well shall be deemed to be capable of production if it has the capacity to produce a profit over operating costs, without regard to any capital costs to drill or equip the well, or to deliver the oil or gas to market, and (ii) the Lessee shall be deemed to be conducting operations in search of oil or gas, or their constituents, if the Lessee is engaged in geophysical and other exploratory work including, but not limited to, activities to drill an initial well, to drill a new well, or to rework, stimulate, deepen, sidetrack, frac, plug back in the same or different formation or repair a well or equipment on the Leasehold or any lands pooled/unitized therewith (such activities shall include, but not be limited to, performing any preliminary or preparatory work necessary for drilling, conducting internal technical analysis to initiate and/or further develop a well, obtaining permits and approvals associated therewith and may include reasonable gaps in activities provided that there is a continuum of activities showing a good faith effort to develop a well or that the cessation or interruption of activities was beyond the control of Lessee, including interruptions caused by the acts of third parties over whom Lessee has no control or regulatory delays associated with any approval process required for conducting such activities).

(B) **LIMITATION OF FORFEITURE:** This Lease shall never be subject to a civil action or proceeding to enforce a claim of termination, cancellation, expiration or forfeiture due to any action or inaction by the Lessee, including, but not limited to making any prescribed payments authorized under the terms of this Lease, unless the Lessee has received written notice of Lessor's demand and thereafter fails or refuses to satisfy or provide justification responding to Lessor's demand within 60 days from the receipt of such notice. If Lessee timely responds to Lessor's demand, but in good faith disagrees with Lessor's position and sets forth the reasons therefore, such a response shall be deemed to satisfy this provision, this Lease shall continue in full force and effect and no further damages (or other claims for relief) will accrue in Lessor's favor during the pendency of the dispute, other than claims for payments that may be due under the terms of this Lease.

PAYMENTS TO LESSOR. In addition to the bonus paid by Lessee for the execution hereof, Lessee covenants to pay Lessor, proportionate to Lessor's percentage of ownership, as follows:

(A) **DELAY RENTAL:** The parties hereto agree that this is a Paid-Up Lease with no further Delay Rental and/or Delay in

Marketing payments due to Lessor during the primary term hereof.

(B) **ROYALTY:** To pay Lessor as Royalty, less all taxes, assessments, and adjustments on production from the Leasehold, as follows:

1. **OIL:** To deliver to the credit of Lessor, free of cost, a Royalty of the equal one-eighth (1/8) part of all oil and any constituents thereof produced and marketed from the Leasehold.

2. **GAS:** To pay Lessor an amount equal to one-eighth (1/8) of the revenue realized by Lessee for all gas and the constituents thereof produced and marketed from the Leasehold, less the cost to transport, treat and process the gas and any losses in volumes to point of measurement that determines the revenue realized by Lessee. Lessee may withhold Royalty payment until such time as the total withheld exceeds fifty dollars (\$50.00).

(C) **DELAY IN MARKETING:** In the event that Lessee drills a well on the Leasehold or lands pooled/unitized therewith that Lessee deems to be capable of production, but does not market producible gas, oil, or their constituents, therefrom and there is no other basis for extending this Lease, Lessee shall pay after the primary term and until such time as marketing is established (or Lessee surrenders the Lease) a Delay in Marketing payment equal in amount and frequency to the annual Delay Rental payment, and this Lease shall remain in full force and effect to the same extent as payment of Royalty.

(D) **SHUT-IN:** If at any time there is a well on the Leased Premises capable of producing gas, but the well has stopped being produced for a lack of a market or other good cause and this Lease is not being continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well is shut-in or the date this Lease ceases to be continued in force by some other provision hereof, whichever is the later date, and prior to the expiration of such ninety (90) day period and annually thereafter, Lessee may pay or tender to Lessor an advance royalty called "Shut-In Gas Royalty" in an amount equal to \$1.00 per acre for the acreage then held under this Lease by such well and so long as such payments or tenders are so made this Lease shall continue in force and effect and it shall be considered that gas is being produced from the Leased Premises.

(E) **DAMAGES:** Lessee will remove unnecessary equipment and materials and reclaim all disturbed lands at the completion of activities, and Lessee agrees to repair any damaged improvements to the land and pay for the loss of growing crops or marketable timber.

(F) **MANNER OF PAYMENT:** Lessee shall make or tender all payments due hereunder by check, payable to Lessor, at Lessor's last known address, and Lessee may withhold any payment pending notification by Lessor of a change in address. Payment may be tendered by mail or any comparable method (e.g., Federal Express), and payment is deemed complete upon mailing or dispatch. Where the due date for any payment specified herein falls on a holiday, Saturday or Sunday, payment tendered (mailed or dispatched) on the next business day is timely.

(G) **CHANGE IN LAND OWNERSHIP:** Lessee shall not be bound by any change in the ownership of the Leasehold until furnished with such documentation as Lessee may reasonably require. Pending the receipt of documentation, Lessee may elect either to continue to make or withhold payments as if such a change had not occurred.

(H) **TITLE:** If Lessee receives evidence that Lessor does not have title to all or any part of the rights herein leased. Lessee may immediately withhold payments that would be otherwise due and payable hereunder to Lessor until the adverse claim is fully resolved.

(I) **LIENS:** Lessee may, at its option, pay and discharge any past due taxes, mortgages, judgments, or other liens and encumbrances on or against any land or interest included in the Leasehold; and Lessee shall be entitled to recover from the debtor, with legal interest and costs, by deduction from any future payments to Lessor or by any other lawful means.

(J) **CHARACTERIZATION OF PAYMENTS:** Payments set forth herein are covenants, not special limitations, regardless of the manner in which these payments may be invoked. Any failure on the part of the Lessee to timely or otherwise properly tender payment can never result in an automatic termination, expiration, cancellation, or forfeiture of this Lease. Lessor recognizes and acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, can vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor hereby agrees that the payment terms, as set forth herein, and any bonus payments paid to Lessor constitute full consideration for the Leasehold. Lessor further agrees that such payment terms and bonus payments are final and that Lessor will not seek to amend or modify the lease payments, or seek additional consideration based upon any differing terms which Lessee has or will negotiate with any other lessor/oil and gas owner.

(K) **PAYMENT REDUCTIONS:** If Lessor owns a lesser interest in the oil or gas than the entire undivided fee simple estate, then the rentals (except for Delay Rental payments as set forth above), royalties and shut-in royalties hereunder shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

UNITIZATION AND POOLING. Lessor grants Lessee the right to pool, unitize, or combine all or parts of the Leasehold with other lands, whether contiguous or not contiguous, leased or unleased, whether owned by Lessee or by others, at a time before or after drilling to create drilling or production units either by contract right or pursuant to governmental authorization. Pooling or unitizing in one or more instances shall not exhaust Lessee's pooling and unitizing rights hereunder, and Lessee is granted the right to change the size, shape, and conditions of operation or payment of any unit created. Lessor agrees to accept and receive out of the production or the revenue realized from the production of such unit, such proportional share of the Royalty from each unit well as the number of Leasehold acres included in the unit bears to the total number of acres in the unit. Otherwise, as to any part of the unit, drilling, operations in preparation for drilling, production, or shut-in production from the unit, or payment of Royalty, Shut-in Royalty, Delay in Marketing payment or Delay Rental attributable to any part of the unit (including non-Leasehold land) shall have the same effect upon the terms of this Lease as if a well were located on, or the subject activity attributable to, the Leasehold. In the event of conflict or inconsistency between the leasehold acres ascribed to the Lease and the local property tax assessment calculation of the lands covered by the Lease, Lessee may, at its option, rely on the latter as being determinative for the purposes of this paragraph.

FACILITIES. Lessee shall not drill a well within 200 feet of any structure located on the Leasehold without Lessor's written consent. Lessor shall not erect any building or structure, or plant any trees within 200 feet of a well or within 25 feet of a pipeline without Lessee's written consent. Lessor shall not improve, modify, degrade, or restrict roads and facilities built by Lessee without Lessee's written consent.

CONVERSION TO STORAGE. Lessee is hereby granted the right to convert the Leasehold or lands pooled/unitized therewith to gas storage. At the time of conversion, Lessee shall pay Lessor's proportionate part for the estimated recoverable gas remaining in any well drilled pursuant to this lease using methods of calculating gas reserves as are generally accepted by the natural gas industry and, in the event that all wells on the Leasehold and/or lands pooled/unitized therewith have permanently ceased production. Lessor shall be paid a Conversion to Storage payment in an amount equal to Delay Rental for as long thereafter as the Leasehold or lands pooled/unitized therewith is/are used for gas storage or for protection of gas storage; such Conversion to Storage payment shall first become due upon the next ensuing Delay Rental anniversary date. The use of any part of the Leasehold or lands pooled or unitized therewith for the underground storage of gas, or for the protection of stored gas will extend this Lease beyond the primary term as to all rights granted by this Lease, including but not limited to production rights, regardless of whether the production and storage rights are owned together or separately.

TITLE AND INTERESTS. Lessor hereby warrants generally and agrees to defend title to the Leasehold and covenants that Lessee shall have quiet enjoyment hereunder and shall have benefit of the doctrine of after acquired title. Should any person having title to the Leasehold fail to execute this Lease; the Lease shall nevertheless be binding upon all persons who do execute it as Lessor.

LEASE DEVELOPMENT. There is no implied covenant to drill, prevent drainage, further develop or market production within the primary term or any extension of term of this Lease. There shall be no Leasehold forfeiture, termination, expiration or cancellation for failure to comply with said implied covenants. Provisions herein, including, but not limited to the prescribed payments, constitute full compensation for the privileges herein granted.

COVENANTS. This Lease and its expressed or implied covenants shall not be subject to termination, forfeiture of rights, or damages due to failure to comply with obligations if compliance is effectively prevented by federal, state, or local law, regulation, or decree, or the acts of God and/or third parties over whom Lessee has no control.

RIGHT OF FIRST REFUSAL. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease ("Top Lease") covering all or part of the Leasehold, Lessee shall have the continuing option by meeting any such offer to acquire a Top Lease on equivalent terms and conditions. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such Top Lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the Top Lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer. Lessor shall have the right to accept said offer. Any Top Lease granted by

Lessor in violation of this provision shall be null and void.

ARBITRATION. In the event of a disagreement between Lessor and Lessee concerning this Lease, performance thereunder, or damages caused by Lessee's operations, the resolution of all such disputes shall be determined by arbitration in accordance with the rules of the American Arbitration Association. All fees and costs associated with the arbitration shall be borne equally by Lessor and Lessee.

ENTIRE CONTRACT. The entire agreement between Lessor and Lessee is embodied herein. No oral warranties, representations, or promises have been made or relied upon by either party as an inducement to or modification of this Lease.

TITLE CURATIVE. Lessor agrees to execute affidavits, ratifications, amendments, permits and other instruments as may be necessary to carry out the purpose of this lease.

SURRENDER. Lessee, at any time, and from time to time, may surrender and cancel this Lease as to all or any part of the Leasehold by recording a Surrender of Lease and thereupon this Lease, and the rights and obligations of the parties hereunder, shall terminate as to the part so surrendered; provided, however, that upon each surrender as to any part of the Leasehold, Lessee shall have reasonable and convenient easements for then existing wells, pipelines, pole lines, roadways and other facilities on the lands surrendered.

SUCCESSORS. All rights, duties, and liabilities herein benefit and bind Lessor and Lessee and their heirs, successors, and assigns.

FORCE MAJEURE. All express or implied covenants of this Lease shall be subject to all applicable laws, rules, regulations and orders. When drilling, reworking, production or other operations hereunder, or Lessee's fulfillment of its obligations hereunder are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate, in whole or in part because of such prevention or delay, and, at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable in damages for breach of any express or implied covenants of this Lease for failure to comply therewith, if compliance is prevented by, or failure is the result of any applicable laws, rules, regulations or orders or operation of force majeure.

SEVERABILITY. This Lease is intended to be in conformity with all laws, rules, regulations and orders and interpreted as such. If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

COUNTERPARTS. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement.

ASSIGNMENTS. The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to their heirs, personal representatives, successors, and assigns; however, no change in the ownership of the land, rentals or royalty or the division thereof however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee. No change in the ownership or the division of the land or royalties shall be binding upon the Lessee for any purpose until thirty (30) days after Lessee shall have been furnished the instrument or instruments or recorded copies thereof resulting in such change.

FREE WILL. Be it known that Lessor has read this Lease and the decision made by Lessor in signing this Lease is made after fully researching this matter independent of any other information provided by any person or entity. Lessor agrees to sign this agreement of their own free will and Lessor was in no way coerced to sign said Lease by any person or entity.

IF THIS LEASE BECOMES FORFEITED, TERMINATED, OR EXPIRES, THE LESSEE, OR IF THE LEASE HAS BEEN ASSIGNED, THE ASSIGNEE IS REQUIRED TO PROVIDE A DOCUMENT CANCELING THE LEASE AS OF THE RECORD, AT NO COST TO THE CURRENT LANDOWNER. IF THE LESSEE OR ASSIGNEE FAILS TO CANCEL THE LEASE, THE CURRENT LANDOWNER MAY COMPEL A CANCELLATION PURSUANT TO SECTION 15-304 OF THE GENERAL OBLIGATION LAW.

THIS IS A LEASE OF OIL AND GAS RIGHTS, NOT A SALE, CONTAINING TERMS THAT MAY BE NEGOTIATED BY YOU. YOU HAVE THE RIGHT TO CANCEL THIS LEASE WITHIN THREE BUSINESS DAYS AFTER EXECUTION OF THE LEASE BY NOTIFYING THE LESSEE THAT YOU HAVE CANCELED THIS CONTRACT. IN ORDER TO CANCEL THIS LEASE, YOU MUST EXECUTE A NOTICE OF CANCELLATION IN THE FORM PROVIDED BELOW, MAIL IT TO THE LESSEE AND REFUND ALL AMOUNTS PAID TO YOU BY THE LESSEE WITHIN THE THREE-DAY CANCELLATION PERIOD. THE MAILING MUST BE POSTMARKED WITHIN THE THREE-DAY CANCELLATION PERIOD TO BE EFFECTIVE.

NOTICE OF CANCELLATION

I/WE HEREBY CANCEL THIS LEASE.

DATED:

SIGNATURE(S):

THE PERSON PRESENTING THIS LEASE TO YOU IS ☐ NOT ☐ A MEMBER OF THE AMERICAN ASSOCIATION OF PROFESSIONAL LANDMEN AND THEREFORE IS ☐ IS NOT ☐ SUBJECT TO A CODE OF CONDUCT. IF THE PERSON PRESENTING THIS LEASE TO YOU IS SUBJECT TO A CODE OF CONDUCT, A COPY OF THE CODE OF CONDUCT MUST BE PRESENTED TO YOU WITH THIS LEASE. IF APPLICABLE, THE CODE OF CONDUCT PROVIDES A DISPUTE RESOLUTION MECHANISM FOR ANY DISPUTE THAT YOU MAY HAVE REGARDING THE MANNER BY WHICH THIS LEASE WAS PRESENTED TO YOU. IF YOU HAVE ANY SUCH DISPUTE, YOU MAY INVOKE THE DISPUTE RESOLUTION MECHANISM OF THE CODE OF CONDUCT BY CONTACTING THE PERSON OR PERSONS DESIGNATED IN THE CODE OF CONDUCT. THE FAILURE OF THE LESSEE TO PAY ANY ROYALTIES TO YOU AS REQUIRED UNDER THE TERMS OF THE LEASE FOR A PERIOD OF FOUR CONSECUTIVE MONTHS OR MORE SHALL BE A DEFAULT UNLESS OTHERWISE PROVIDED BY LAW, AND WILL RESULT IN CANCELLATION OF THE LEASE APPLICABLE TO THE TARGET FORMATION OF THE WELL WITHIN THE SPACING UNIT, FOLLOWING WRITTEN NOTIFICATION TO THE LESSEE OF YOUR INTENT TO CANCEL AND SIXTY DAYS FOR THE LESSEE TO CURE THE DEFAULT. IF THE LESSEE HAS A BONA FIDE DISPUTE REGARDING THE GROUNDS FOR CANCELLATION, SUCH DISPUTE AND THE REASONS THEREFORE MUST BE PROVIDED TO YOU IN WRITING OR THE DEFAULT MUST BE CURED WITHIN SUCH SIXTY-DAY PERIOD, OTHERWISE THE LEASE SHALL BE CANCELED.

IN WITNESS WHEREOF, Lessor hereunto sets hand and seal.

Subscribing Witness

(Seal)

Glenn M. Kobler

Date of Execution

11-20-08

Subscribing Witness

(Seal)

Date of Execution

ACKNOWLEDGEMENT OF SUBSCRIBING WITNESS

State of New York

County of Onondaga

On the 20th day of November in the year 2008 before me, the undersigned, a Notary Public in and for said State, personally appeared Matthew Flanery, the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he/she/they reside(s) in Keller, Texas that he/she/they know(s) Glenn M. Kobler, to be the individual described in and who executed the foregoing instrument: that said subscribing witness was present and saw said Glenn M. Kobler, execute the same: and that said witness at the same time subscribed his/her/their names(s) as a witness thereto.

My commission expires 10/1/11

Signature / Notary Public

Name / Notary Public (print)

Amy Muench
Amy muench

AMY MUENCH
Notary Public, State of New York
No. 01MU6175050
Qualified in Onondaga County
Commission Expires Oct. 1, 2011

ACKNOWLEDGEMENT

State of _____

County of _____

On the _____ day of _____ in the year of _____ before me, the undersigned, personally appeared _____

personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

My commission expires _____

Signature / Notary Public _____

Name / Notary Public (print) _____

ADDENDUM

This addendum, attached to and made a part hereof to the Oil and Gas lease dated November 20th, 2008, by and between Glenn M. Kobler, Lessor and New York Shale Gas, LLC, Lessee, as follows:

1. Lessee hereby agrees to fairly compensate Lessor for any marketable timber damaged by Lessee's operations and Lessee agrees to have all timber cruised by a professional forester before removing said timber due to its drilling operations. Lessee further agrees to cut and stack all timber removed by its drilling operations in a prudent like manner, said timber to remain the property of Lessor.
2. Prior to drilling, Lessor and Lessee hereby agree that all drill sites, pipelines and ingress and egress to Lessor's property will be mutually agreed upon by Lessor and Lessee and Lessor agrees that said approval of drill sites and ingress and egress shall not be unreasonably withheld.
3. Lessee shall indemnify and save harmless Lessor against and from all liabilities, obligations, damages, penalties, claims, costs and expenses, including reasonable attorney's fees, paid suffered or incurred as a result of Lessee's operations, Lessee's agent, contractors, employees, invitees, or licensees, of any covenant on condition of this lease agreement, or the carelessness, negligence, strict liability, or improper conduct of Lessee, Lessee's agents, contractors, employees, invitees or licensees.
4. Lessee hereby agrees to test Lessor's domestic or farm related water wells or water supplies before commencing its drilling operations on Lessor's property. Lessee further agrees to test all domestic or farm related water wells or water supplies on Lessor's premises before commencing any drilling. In the event Lessee's operations damage the quality or quantity of water produced from Lessor's domestic or farm related water wells, cisterns, or other water supplies including natural springs used by Lessor's for domestic or farm related purposes, then Lessee agrees to repair or replace Lessor's said water wells, cisterns, or other water supplies used by Lessor to its previous condition as depicted by the water test conducted before Lessee commenced its drilling operations. Furthermore, in the event that any gas and/or oil well is closed, Lessee agrees that said closure shall be inspected, certified, and bonded for a period of not less than (1) year after cessation of use, for the purpose of protecting the quality and quantity of the water wells and springs contemplated within this paragraph.
5. Lessee hereby agrees to install farm gates and locks on all access roads to its producing well sites and furnish Lessor with keys to all locks installed on said gates.
6. ~~Lessee hereby agrees that in the event Lessor is unable to accept free gas according to the free gas provisions as set forth in this lease, the Lessee agrees to pay Lessor an amount equal to the 300,000 cubic feet of free gas times the average well head price on a per annum basis. Furthermore, if production is established on the leased property or property pooled with the leased property, Lessor may elect a payment of 7/8th of the well head value of the gas allowed for on this Addendum, or the unused volume of gas allowed, in lieu of the usage of said gas.~~
7. Lessee's operations shall be in compliance with all current and future laws, codes, rules, and regulations including, but not limited to, those required by the New York Department of Environmental Conservation (including, but not limited to, DEC restrictions for Forest Land under section 480-a of the Real Property Tax Law) and by any federal, state, or regulatory agency having jurisdiction. Lessee further agrees that at no time shall Lessee, its agents, contractors, successors or assigns engage in any blasting upon said premises. Lessee shall not use the property for any other purpose other than those authorized in the lease and this addendum thereto, and before abandoning any well, Lessee shall securely plug the same in accordance with the rules and regulations of the NYS DEC. Pipelines that are integral to the structure or function of a well (as distinct from the construction of one) would be allowed to remain.

8. Upon completion of any drilling and related operations upon the leased premises, Lessee agrees at its sole cost to restore the lease premises as nearly as reasonably possible to the condition that existed prior to the commencement of Lessee's operations hereunder. Lessee further agrees to conduct its operations in a manner that shall take into consideration ~~properties organic farm status~~, and attempt to minimize soil erosion. Notwithstanding forfeiture, termination, or expiration of this lease, the Lessee shall be responsible for restoration of damaged areas in a manner approved by the DEC. The Lessee shall also be liable to the Lessor for all damage or loss to the Lessor in the remainder of the property. The Lessee covenants and agrees to take precautions against setting fire to the property or trees thereon, and shall prevent the contamination of water in any manner whatsoever. The Lessee shall not damage existing boundary line or property corner markers; in the event that any such damage does occur, the Lessee shall bear the full cost of resurveying and marking. At all times, Lessee shall maintain the property in a neat and orderly condition and shall not permit surplus equipment, material and debris shall be removed from the site and site shall be restored.
9. This lease does not include the right to store gas or other product on, in or under the premises. Additionally, this lease does not include the right to use any portion of the leased premises for the transmission of gas or other product through pipes or pipelines unless such gas or other product is produced on the leased premises or lands pooled therewith. Before Lessee shall install any pipes or pipelines upon the property, a separate agreement and compensation for the same shall be executed.
10. Lessee's rights under this lease are subject to all rights of way, easements, covenants and restrictions of record.
11. Lessee shall give Lessor prompt notice of the following occurrences arising with regard to the portion of the leased premises on which access roads, drill sites or other production activity are located:
 - a. Any spill, release, threatened release, or other occurrence that would constitute a violation of violation of the provisions of any applicable laws, rules, or regulations,
 - b. any notices, claims or allegations of environmental violations or contamination received from any federal, state or local governmental agency or authority or the filing or commencement of any judicial or administrative proceeding by any such agency; or
 - c. the filing or threatened filing of any judicial or administrative proceeding by any private agency alleging injury or threat of injury to the land on which the access roads, drill site or other production activity is located, or to the health, safety or the environment.
12. Lessee shall maintain with financially sound and reputable insurance companies or associations, insurance in an amount of not less than \$3,000,000.00 or such larger amount which a reasonable, prudent operator would be deemed sufficient to satisfy all damage and indemnity claims that may arise hereunder and provide coverage to Lessor for all claims arising as a result of Lessee's operations hereunder, regardless of whether or not such claims are made during the term of this Lease or for a period of one year after its termination. Lessee shall provide to Lessor, from time to time, at Lessor's request, evidence of maintenance of any required insurance.
- ~~13. The Lessee agrees not to assign, transfer or convey, sublet, or otherwise dispose of this lease or any of its contents or of its rights, title, or interest therein or of its power to execute the lease to any other person, company, or corporation without the previous consent in writing of the Lessor. However, consent may not be unreasonably withheld. With the written consent of the Lessor, the rights of Lessee hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, successors and assigns of Lessee.~~
14. The Lessee shall keep and accurate account of all drilling operations. Accurate and reliable information concerning all wells and their production, operation, and management shall be furnished to Lessor upon demand. The said Lessee shall also keep and accurate account showing the sales, prices, dates, purchases

and whole amount of Oil and/or Gas produced. ~~The Lessor shall have access to any of the Lessee's books, documents, papers, and records directly pertinent to the subject matter of this lease for the purpose of making audits, examination, excerpts or transcripts.~~

15. No minerals discovered by the Lessee while analyzing the property or drilling the natural gas well, other than oil and natural gas and its constituents, shall be extracted, except as necessary gas well and its operations; and in no case shall additional wells be drilled or excavation be utilized to access any minerals other than natural gas. The Lessee shall notify the Lessor of the discovery of any additional minerals with 30 days of discovery.
- ~~16. Lessee shall pay Lessor the total of \$250.00 per acre for the five year lease.~~
- ~~17. Lessee shall pay any increase in taxes charged against the leased premises resulting from lessee's operations hereunder during the term of this lease, whether billed during the lease term or thereafter. Lessor shall provide written notification to lessee upon receipt of any tax bill increasing taxes as a result of lessee's operations. Additionally, Lessee shall pay any recapture, roll back, penalty or other cost resulting from Lessee's activities which affect any real property tax exemption or reduction in either assessed value or taxable value of the premises.~~
- ~~18. Lessor has the right to ask for damages due to loss of organic status.~~

If there is a conflict between the provisions in this Addendum and those in the accompanying Oil and Gas Lease, the provisions in this Addendum will be controlling.

New York Shale Gas, LLC

By: 

Its: Agent


LESSOR

LESSOR